# Our Dingbat Retirement Plan



Way back in 1983, after we closed our first few foreclosure deals, we thought we could do it forever. But several more years had to pass before it dawned on us that if we were really going to have it made, and be worry free, we'd have to create a retirement estate for ourselves as we went along; one that would provide us a solid, SUSTAINABLE, monthly income when we retired, one that would be nearly bulletproof, no matter which way our economy or politics dipped and swayed.

We instinctively knew that we didn't dare be passive investors. Being at the mercy of any kind of professional manager who calls the shots, whether we held stocks, trust deeds, real estate, etc., was much too risky for us. An invariable element in every horror story we've ever read or heard about, where innocent investors got wiped out, was their dependency on some crook or incompetent who managed their retirement funds.

The amount of safety we required for our nest egg, and the vigilance we'd be exercising over it, ultimately forced us to take a very close look at income realty, even though we didn't cotton to the idea of overseeing property managers in our retirement years. What we wanted when we retired was FREEDOM, and the guarantee that we'd have more than enough money to really enjoy it--not a ball and chain that typical rental management entails.

So, starting out with a bias against rental units (because of negative experiences managing apartment houses) we decided to see if there was any other kind of income property we could stomach. Since we weren't committed to any particular type we checked out the pluses and minuses of warehouses, storage units, office buildings, self-service car washes, RV parks, nursing homes, etc. But none of that more specialized real estate made us feel like we were really in control. We didn't want to deal with extensive overhead, or employees, or be at the mercy of renting out special-use buildings or space to fussy, choosy tenants.

The turning point in our quest occurred when we discovered that we had been looking at our retirement problem backwards—by focusing on the different types of rental properties to invest in, rather than on the specific *type of tenant* we wanted to deal with! If we could define our ideal tenant then it would be a lot easier to find and focus on the kind of property we would need to buy to rent out to them. Wow, what a revealing process that turned out to be!

We discovered that what we wanted was a quiet, non-aggressive, non-demanding, STABLE, older person with a *guaranteed income*. We were surprised, for instance, to discover that the most volatile influences affecting tenant turnover are changes in either their family make-up or job situation.

Ultimately it became clear that a retired pensioner was the epitome of our idealized tenant. No kids or teens tearing up our property, no changes in family size that would cause them to move to some other larger or smaller place, and no lay-offs or out-of-area job promotions or other job-oriented complications to contend with.

A 65-year-old retiree really treasures their peace and quiet. They're most happy and comfortable occupying a one bedroom, detached house in a predominantly single-family house neighborhood. They don't need a big backyard to take care of and most don't require a garage either, since they don't want to deal with the expense of a car that they no longer need nor have enough money to buy, insure, and repair it.

Once we knew the type of tenant we wanted, and thus the kind of property they really wanted to rent, we decided to buy one and try it. In the years since we've discovered that hardly any other landlord wants, or even thinks about, buying a one-bedroom dingbat to rent out-- especially those without a backyard or a garage and located in a low-priced, low-income neighborhood.

So, with our foreclosure profits, we've been picking them up at bargain prices. We modernize the kitchen and bathroom, and paint and replace carpet with longer lasting *ALLURE* flooring sold by Home Depot. On the outside we install modern, dual-paned windows and spruce it up with vinyl siding or a new, stucco color coat, newly painted trim, a cleaned-up yard, a mended fence and a smooth working gate.

At one time we had sixteen ***true*** dingbats in our rental portfolio and then foolishly sold some when the market was booming. Now we're working to fill out our portfolio at twenty of these gems this time around.

One bedroom, stand-alone houses are the most trouble-free, dependable type of rental we've ever experienced. Our retirees are never late with their share of the monthly rent--and it seems that the only way they ever move out is feet first. Because of our exceptionally low tenant turnover (once every 20 years on average), our maintenance expense is quite low too.

So we favor low-income tenants who receive a steady, monthly rent subsidy from the city or county (via HUD's Section 8 Program). That way we get about 90% of our rent via direct deposit from the government and the remaining 10% from the retiree. And most years Section 8 allows us a rental increase that's pegged to the current cost-of-living index applicable to our unit's locale.

We get very few maintenance calls nowadays too, since we don't provide items that wear out, like refrigerators, garbage disposals, microwaves or dishwashers. In turn we install leak-free faucets, grab bars, laundry hookups, a whole house fan, LED lights throughout, and pinhole, security screen doors (front and rear).

Our foreclosure profits were a key component in our ongoing effort to have all of our little houses completely paid off before we actually started our hassle-free retirement lifestyle. That way, no matter what economic upheavals that might have occurred, we'd still be able to rent out all of our properties for a steady, sustainable, net monthly profit, year after year.

Currently our monthly cash flow has grown large enough to allow us to be "all cash" buyers…with the consequential bargaining clout that all-cash offers confer.

And, whenever we want to scale down we'll sell off our houses one-by-one by ourselves.

We plan to get top price if we ever sell too. We'll find and qualify our buyers…and upon receipt of a 20% cash down payment we'll carry back an 80% LTV mortgage…paid to us monthly via our local, loan-servicing company. We figure that our mortgage cash flow would amount to much more than the net rental income we'd be giving up by selling too.

At present we're slowly purging our inventory of non-dingbat properties as they go vacant and filling back up with true dingbat units. We discovered that now we can't profitably buy in any coastal corridor zones, so we're successfully trolling more inland areas like Fresno, Sacramento, Bakersfield, Phoenix, Desert Hot Springs and are currently focusing on El Centro and Yuma as additional areas of interest.

It might sound amazing, but our distant dingbats require no more hands-on oversight than our close-by units. However, we do like our far-flung (3+ hours travel) properties to be accessible by air, the farther away they are.